

<https://www.financial-planning.com/news/global-economy-slowing-but-not-in-recession-says-report>

Global economy slowing, but not in recession, says report

By Rob Burgess

August 28, 2024, 5:27 p.m. EDT

The global economy is currently tapping the brakes, but that doesn't mean a recession is on the way.

That was among the key findings of "The Global Economy: Slowdown or Recession?" conducted by Ned Davis Research and presented by Alejandra Grindal, chief economist, on Wednesday.

"We are seeing indications that momentum isn't quite as strong as it was earlier this year, but we are not seeing any signs that the global economy is in recession or headed for recession," she said.

The first half of 2024 was "quite strong," even more so than expected, said Grindal. However, in the second half of the year so far, several G7 economies "stagnated or brushed with recession."

"A lot of it was years of tight monetary policy and still high inflation that was ... eating into consumer purchasing power," she said. "But we saw a lot of those risks dissipate early on this year, and ... economic growth accelerate."

Grindal cited the Global Purchasing Manager Indexes, which the research firm used as a monthly proxy for global GDP. The first half of the year showed a sharp acceleration.

"Specifically since June, we have seen economic growth globally decelerate a bit," she said. "This is quite normal. You tend to see this when we've had strong accelerations."

Digging further into these figures by sector, though, shows that the service sector is resilient, but manufacturing has reentered a rut.

"Services needing global growth has been [a] consistent thing that we've seen in the post-pandemic recovery," she said.

Europe has been the consistent underperformer, said Grindal. This mostly has to do with structural issues associated with prior energy dependence on Russia. Fraying ties between the U.S. and China have also been a source of global anxiety.

Another area of concern in the near term, which has also weighed heavily on the minds of financial advisors, will be the contentious U.S. presidential election. Economic policy uncertainty can create some downside risk, said Grindal.

"Politics are often difficult to quantify," she said. "We like to track things through data and look at historical analysis."

To insert figures into the equation, the Global Economic Policy Uncertainty Index measures that uncertainty by looking at the frequency of mentions in major newspapers worldwide, gauging it relative to its long-term norm.

"We do a lot of analysis on crisis events," said Grindal. "Things like wars or terrorist attacks. When a crisis event happens, we're emotionally driven by it. We think, 'Oh, my goodness, this is the beginning of a bear market. This is a really bad thing.' The historical analysis shows that usually, the impact on markets is very short-lived."

Even after these events, equities tend to be higher and above the long-term average even 12 months later.

"The good news is it just doesn't appear that global recession remains a risk at this point," she said.

To bolster this finding, Grindal said NDR's Global Recession Probability Model tracks sharp slowdowns in the global growth rate.

"The model is still at a very low level, and it's been at a low level for quite some time," she said.

This data is consistent with the continuation of the cyclical bull market in equities, said Grindal. Global inflation is doing significantly better than its peak, which was sometime in 2022. However, supply chain pressures have started to pick up.

"Supply chain issues are ongoing, and may not be as disinflationary as they were before," said Grindal.

Given the facts on the ground, Grindal said NDR sees cuts of 25 basis points at each of the remaining Federal Reserve meetings through the end of the year, starting in September.

"If economic conditions deteriorate faster, we could see more than that," she said.